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BEFORE THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

DOCKET NO. UE-991606
DOCKET NO. UG-991607

REBUTTAL TESTIMONY OF TARA L. KNOX
REPRESENTING AVISTA CORPORATION

WUTC		
DOCKET NO. <u>UE-991606</u>		
EXHIBIT # <u>T-473</u>		
ADMIT	W/D	REJECT
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

473
Exhibit T-___(TLK-T)

1 Q. Would you please state your name, business address and present position
2 with Avista Corporation?

3 A. My name is Tara L. Knox. My business address is East 1411 Mission
4 Avenue, Spokane, Washington. I am employed as a Rate Analyst in the Rates and Tariff
5 Administration department.

6 Q. Have you previously submitted direct testimony in this proceeding?

7 A. Yes, I sponsored the electric and gas cost of service studies.

8 Q. What is the scope of your rebuttal testimony in this proceeding?

9 A. My testimony responds to the joint direct testimony relating to electric rate
10 spread of Staff, Public Counsel, and ICNU, and the joint direct testimony relating to gas
11 rate spread of Staff, Public Counsel, and NWIGU. Specifically, I will address their
12 comments on the cost of service studies presented in this case.

13 Q. Please summarize your rebuttal testimony.

14 A. The cost of service studies presented in this case have been found
15 reasonable and useful by the parties. The Company disagrees with their insistence that
16 the Commission should refrain from "accepting" or "approving" the electric and gas
17 studies which they have found to be reasonable approximations of relative costs.

18 Q. Does the Commission staff testimony indicate disagreement with the cost
19 of service methodologies presented by the Company?

20 A. No. The staff finds the electric methodology "generally acceptable" and
21 the gas methodology "generally consistent with prior Commission decisions". They
22 proceed to make use of the electric results as presented and the gas results with one minor
23 allocation modification.

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1 Q. Do the other parties offer substantive opposition to the cost of service
2 methodologies presented by the Company?

3 A. No. On the gas side, Public Counsel finds the Company study “consistent
4 with previous Commission direction”. On the electric side, Public Counsel objects to the
5 use of an approach to administrative and general expenses which has not previously been
6 proposed or accepted, but offers no evaluation of this approach on its own merit. ICNU
7 and NWIGU state that they disagree with the results of all the studies but offer no
8 indication of what they find objectionable about them.

9 Q. What is the value of the Commission “accepting” or “approving” a cost of
10 service methodology?

11 A. Commission direction on an acceptable cost of service methodology that
12 can be utilized consistently over time provides a consistent basis for rate spread and rate
13 design analysis. As Mr. Hirschhorn attempts to create rates which approach unity, a
14 consistent methodology is important to avoid the problems inherent in shooting at a
15 moving target. There are enough other variables involved in rate design without adding
16 to the problem with uncertainty over how costs are categorized and allocated.

17 Q. Does the Company think the electric base case methodology is an
18 improvement over the methodology “approved” for Puget Sound Power & Light in 1992?

19 A. Yes. The inclusion of an administrative and general expense study that
20 allows for functional direct assignment of these costs is an improvement over indirect
21 association by account. Also, utilizing a definition of peak which is tailored to the
22 operational characteristics of this utility is more appropriate than applying assumptions
23 relevant to a different utility.

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Q. Does this conclude your rebuttal testimony related to UE-991606 and UG-991607?

A. Yes, it does.